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To: Chairman Aric Nesbitt and Members of the House Energy and Technology Committee

Energy Michigan respectfully submits this letter in opposition to HB 5476.

Energy Michigan is a Michigan nonprofit corporation which was formed to protect and promote the interests of producers and users of independent power. Its membership includes those interested in cogeneration, small power production, power marketing, independent power projects, and users of electricity throughout the state of Michigan. Energy Michigan's members include Alternative Electric Suppliers, as well as equipment vendors, fuel suppliers, engineering firms, energy users, project developers and units of government.

Despite the laudable goal of attempting to ensure more favorable rates for selected members of the primary class of ratepayers in Michigan, the bill will most certainly result in re-skewing electric costs – this time to residential and commercial customers – a condition that the legislature was attempting to undo in 2008 with the passage of Public Act 286.

Customer rates in Michigan are now “equal to the cost of providing service to each customer class,” which was required under PA 286. However, the five-years of rate increases and the accompanying de-skewing, coupled with the significant reduction in the availability of electric retail customer choice, has led to significant rate increases, especially for the residential and commercial classes. There can be no doubt that with the highest customer rates in all three customer classes in the Midwest, Michigan continues to have rates that are arguably not “reasonable” or, for many customers “affordable.”

The clear mandate of HB 5476 is to lower rates for selected primary customers in Michigan through the adoption of new “cost allocation methods and rate design methods.” The Michigan Public Service Commission has long-standing, clear legislative authority to approve “reasonable and prudent rates.” Therefore, this new, legislative direction is not needed. More concerning, however, is the fact that the bill introduces so many vague, new terms and fails to provide clear direction. As a result, it will certainly produce increased rates for many customers because of its new form of “skewing” and subsidization that favors selected primary customers at the expense of residential and commercial customers.

Just a few of the many vague provisions of the bill include the following:

- Who qualifies as an “Energy Intensive” customer?
- What is the amount of energy used for the qualifier?
- Since the purpose of HB 5476 is to change the methods by which “cost” is determined, should not “energy intensive” be defined only by energy use characteristics?
- These first three points are critical because, without clear definitions and limits, the amount of the costs shifted could be extremely large as would be the resulting rate increases. There should be clear limits on the eligible population.
- What does “affordable” mean?
- Which classes of customers will pay for the intended reductions to the primary class’s new cost of service?
- What is the PSC’s scope and limits for “encouraging the attraction and retention of industrial customers”?

These are just some of the many concerns we have about the true impact of HB 5476. HB 5476 picks winners and losers, with the added downside of inevitably causing rate increases for many Michigan customers as a result of newly-skewed subsidies.

Energy Michigan continues to believe that allowing customers to exercise competitive options in their choice of energy providers is a far superior policy that has already provided lower cost energy for current Electric Choice customers and will lead to lower electric costs for all groups of Michigan customers. In that regard, Energy Michigan continues to support HB 5184 (Shirkey) which would expand the Electric Choice option and therefore make HB 5476 unnecessary.

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